



## THE MARKET

There are over 230 million cars and light trucks on American highways, and keeping them in safe and reliable operating condition is a big job. As the quality of these vehicles has improved over the past few decades, motorists have been keeping their cars longer — with the median age of passenger cars in America now at 9.2 years.

Car owners spend more than \$150 billion a year in the United States repairing and maintaining their vehicles, excluding collision repairs. Less than 20 percent of that work is done by do-it-yourselfers who buy and install their own parts. Because of the complexity of today's vehicles, the time constraints of busy lifestyles, and a lack of necessary skills and interest, the vast majority of vehicle owners do not work on their own vehicles. As such, in 2005, automotive service providers in the United States performed more than \$125 billion worth of vehicle repairs and maintenance. However, the number of outlets providing these automotive services continues to decline, as many small independent repair garages close and traditional gas stations turn their former service bay space into convenience stores. These conditions provide significant opportunity for national providers such as Midas.

## ACHIEVEMENTS

The gold Midas oval is a familiar sign for motorists in all 50 states of the United States and in all provinces in Canada, as well as in 16 other countries around the world. The nearly 2,600 Midas shops worldwide provide a full range of automotive services, including brakes; routine maintenance such as oil changes; factory scheduled maintenance and replacement of belts, hoses, and lightbulbs; tires; steering; suspension; and exhaust. Midas shops performed more than 1.5 million brake jobs in 2006 in the United States, more than any other competitor. Most Midas shops in North America are owned and operated by independent franchisees, many as part of families who have been involved as Midas operators for two and three generations.

## HISTORY

As a retail franchisor, Midas grew out of International Parts



Corporation, a Chicago-based automotive parts wholesaler. Nate Sherman, president of International Parts, and his associate Joe Marx had set up a small factory in Hartford, Wisconsin, in the mid-1930s to manufacture mufflers for Ford Model Ts and Models As, and Plymouth cars.

Sherman built a successful aftermarket parts distribution business selling to jobbers and service stations throughout the 1940s. In the early 1950s, he watched with interest as Americans were purchasing cars in record numbers. Armed with his high-quality muffler and the desire to take advantage of the growing postwar marketplace, Sherman began exploring ways to bypass the middlemen to go directly to the retail customer through a captive channel.

Car dealers and service stations were having a difficult time keeping up with the heavy demand for car repairs. Sherman concluded that quick-service shops specializing in muffler replacement could meet the need — and enable his company to sell directly to the retail customer.

After successfully testing his concept at two shops in Chicago, he determined that franchising would be the ideal way to establish and rapidly expand his new retail business.



From the several names he considered, Sherman chose Midas — an acronym for Muffler Installation Dealers Associated Service. He added brass flakes to the coating on his mufflers — to provide the required coloring for the legendary Midas gold muffler.

As he sought potential franchisees, Sherman turned to customers he had served over the years in his parts distribution business. Hugh Landrum, who ran an auto salvage business in Georgia, agreed to become a Midas franchisee by turning his four muffler outlets into Midas shops. The new company's first franchise was created on April 20, 1956 — and Landrum's two-bay Macon Muffler Shop became the world's first Midas shop, installing mufflers for \$7 apiece.

Nate Sherman did not waste time building his new enterprise. He and his son Gordon Sherman

recruited franchisees from all walks of life, and within one year from the opening of the first shop in Macon, there were 100 Midas shops in 40 states.

The 1960s and 1970s were decades of dramatic growth for Midas — from several hundred shops at the start of 1960 to more than 1,200 by the end of the '70s. Midas continued to thrive by adding new products and new markets, offering shock absorbers in 1960 and first venturing overseas in 1968 when the company entered England.

The mid-1970s brought the Clean Air Act to the United States — and with it, catalytic converters which many thought would lead to the demise of the exhaust replacement industry because of longer-lasting mufflers. Instead of simply watching its exhaust business disappear, Midas began to diversify. In

1979, Midas introduced the brake business, enabling the Midas system to survive in a declining exhaust market, and to dominate the under-the-car industry.

By 1990, there were 2,400 Midas shops in 10 countries. The 1990s saw continuing growth — with sales of the U.S. system surpassing \$1 billion for the first time in 1993.

Throughout its history, the Midas system has continued to thrive by meeting the changing needs of the marketplace and providing outstanding value to its customers.

### THE PRODUCT

From its start as a quick-service muffler replacement specialist, Midas has evolved into a full-service automotive service provider — adding new services to the core Midas leadership categories of brakes, exhaust, steering, and suspension. Today's sophisticated vehicles demand regular maintenance to keep them in peak operating condition. Midas shops are equipped to provide all factory-scheduled maintenance at the intervals recommended by vehicle manufacturers.

In 2004, Midas shops in North America became authorized dealers of Bridgestone and Firestone tire products. Tires and related services are a growing part of the Midas retail mix.

As the technology and quality of vehicles continue to improve, requiring less frequent replacement of failed parts, Midas describes the transformation of its service business as moving from “a repair business that does maintenance to a maintenance business that does repairs.”

### RECENT DEVELOPMENTS

In moving beyond its traditional core services to become a full-service provider, Midas is seeing changes in its customer base.

In 2006, brakes accounted for the largest share of business at U.S. Midas shops, at 40 percent,

while exhaust replacement had declined to under 14 percent of the service mix. Meanwhile, owners of newer cars are coming to Midas for tires, oil changes, routine maintenance, and other services.

With a full line of services, Midas shops also now are serving regional and national fleet

Touch” is more than an advertising campaign — it is a way of life at Midas shops, as franchisees and their employees work every day to earn their customers' trust with the pledge of “We will always do right by you and your car, and help keep you safely on the road.”



customers, whose most frequent purchases include tires, brakes, and oil changes.

In 2003, Midas began moving away from its roots as a parts manufacturer and distributor by outsourcing distribution to auto parts distribution companies approved by the company and the International Midas Dealers Association. That transformation was completed by early 2006, and included the closing of company-operated distribution centers throughout the United States and the exhaust manufacturing plant in Hartford, Wisconsin.

### PROMOTION

The legacy for building the Midas brand started with founder Nate Sherman and his efforts to gain recognition for his new company. The motoring public had never heard of Midas, so Sherman sought to build consumer awareness by airing heavy schedules of radio commercials on Chicago's *Paul Harvey and the News* and New York's *News on the Hour*.

To ensure that Midas stood out from any competitors, Sherman created the now-famous guarantee offering muffler replacement for “as long as you own your car.” As familiar as this guarantee is today, it was unheard of when Sherman created it as a foundation for his new company.

Over the years, Midas has been well-known for creative advertising and its extensive schedule of national television advertising — with such popular campaigns as “Take It to Midas,” “Midasize,” “The Midas Way — The Way It Should Be,” and “Nobody Beats Midas.”

The current marketing theme of “Trust the Midas Touch” was first used in the early 1980s and was resurrected in 2004. “Trust the Midas

### BRAND VALUES

The Midas mission is to be its customers' “most trusted professional and first choice” by being leaders in brakes, exhaust, maintenance, and value; by satisfying customers' total service needs; and by standing behind its work.

Midas strives to achieve that mission by providing quality, safety, and reliability to every customer and each vehicle coming to a Midas shop.

Midas defines quality in three ways: quality of the parts it installs in customers'

vehicles, quality of the professional appearance of Midas shops and their employees, and quality of the skilled managers and service employees in the shops.

The value of the powerful Midas brand is found through the consistent delivery on that total quality mission in the day-to-day operation of nearly 2,600 Midas shops worldwide.

### THINGS YOU DIDN'T KNOW ABOUT MIDAS

- The Midas logo for its first 40 years featured the company's name in Old English lettering, with a crown dotting the “I,” in tribute to King Midas, whose legend claimed that everything he touched turned to gold — including early Midas mufflers.
- Fifteen franchisees signed their original franchise agreements with Midas during its first year of business — 1956. As of 2007, Midas dealer Arthur Katz, based in Toledo, Ohio, is the only pioneer who remains active in the Midas business.
- In the mid-1960s, Midas attempted to diversify by manufacturing recreational vehicles and entering a short-lived food business called “Virginia Hardy pies.” Both ventures eventually were discontinued.
- Midas first extended its auto repair shop network overseas in 1968, when it opened shops in England. Today, France is the second most-developed Midas country in the world — with 350 shops.
- IC Industries, which later became Whitman Corporation, purchased Midas in 1972. Sister companies at Whitman over the years included Pet, Inc. (foods), Hussmann Corporation (refrigeration equipment), and Pepsi-Cola General Bottlers. Since a spin-off by Whitman in early 1998, Midas is an independent company trading on the New York Stock Exchange with the symbol MDS.